

Message Text

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C O N F I D E N T I A L CARACAS 1373

EXDIS

E.O. 11652: GDS

TAGS: PFOR, ENGR, VE

SUBJECT: VISIT OF GENERAL ALFONZO RAVARD

REF: CARACAS 1372

1. DURING OUR MEETING YESTERDAY THE MINISTER OF MINES AND HYDROCARBONS MENTIONED GENERAL ALFONZO'S VISIT TO WASHINGTON. I UNDERSTAND THAT HE WILL BE DINING WITH THE DEPUTY SECRETARY TONIGHT.

2. THE REFTEL PROVIDES A BRIEF RUNDOWN ON THE PETROLEUM SITUATION HERE. AS NOTED THERE, MINISTER HERNANDEZ IS CONFIDENT THAT OFFTAKE WILL REACH AN ACCEPTABLE LEVEL AS THE COMPANIES GRADUALLY COME AROUND TO ACCEPTING VENEZUELAN PRICES AND THE DESIRABILITY OF CONTINUING TO DO BUSINESS HERE. IT WOULD BE INTERESTING TO HAVE GENERAL ALFONZO'S VIEWS.

3. HE MAY WISH TO RAISE WITH THE DEPUTY SECRETARY THE FEA ENTITLEMENTS PROGRAM AND THE EFFECT IT HAS ON VENEZUELA'S COMPETITIVE POSITION IN THE U.S. MARKET, PARTICULARLY VIS-A-VIS THE AMARADA HESS REFINERY IN THE VIRGIN ISLANDS. THE VENEZUELAN THESIS IS, OF COURSE, THAT THE ENTITLEMENTS PROVISION "DISCRIMINATES" AGAINST THIS COUNTRY, THE ONLY OPEC MEMBER WITH SUBSTANTIAL DOMESTIC REFINING CAPACITY, AND THROWS US INTO THE HANDS OF THE ARABS. THE GENERAL MIGHT ALSO BE INTERESTED IN A GENERAL RUNDOWN OF THE ENERGY SITUATION IN THE U.S., WHAT OUR FUTURE PROGRAMS WILL LOOK LIKE AND WHAT ROLE VENEZUELA COULD HAVE.

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4. ON OUR SIDE THE DEPUTY SECRETARY MAY WISH TO CONSIDER
MAKING THE FOLLOWING POINTS:

-- IN PRESSING THE COMPANIES TO ACCEPT HIGH PRICES THE GOV HAS
TALKED A GOOD DEAL OF "TAKING THE LONG VIEW." WE UNDERSTAND
THAT TO MEAN A CONTINUING RELATIONSHIP IN WHICH THE COMPKIES
CAN EXPECT FAIR TREATMENT AND THE FULL HONORING OF THEIR CONTRACTS.

-- THE NATIONALIZATION PROCESS IS FAR FROM COMPLETE. A NUMBER OF
COMPANIES HAVE TAX PROBLEMS, THERE REMAINS CONSIDERABLE
UNCERTAINTY ABOUT THE GUARANTY FUND AND MOST OF THE SMALLER PRODUCERS
HAVE YET TO CONCLUDE CONTRACTS. FAIR AND SYMPATHETIC TREATMENT
FROM THE GOV WILL SERVE OUR MUTUAL INTEREST IN ENSURING A
SATISFACTORY PETROLEUM RELATIONSHIP OVER THE LONG RUN.

-- THE MAINTENANCE OF SUCH A RELATIONSHIP WILL ALSO DEPEND ON
DUE REGARD FOR ONE ANOTHER'S ECONOMIC INTERESTS. THE US
MUST NECESSARILY BE VENEZUELA'S PRINCIPAL MARKET FOR
PETROLEUM. WE HOPE THE GOV WILL BEAR THAT IN MIND ALONG WITH
THE BALANCE OF PAYMENTS FACTOR WHILE MAKING ITS DECISIONS ON
CAPITAL GOODS AND OTHER IMPORT DECISIONS. (I HAVE IN MIND HERE
WHAT AT TIMES SEEMS TO BE AN EXCESSIVE AND LARGELY POLITICAL
ATTEMPT TO DIVERSIFY AWAY FROM US SOURCES OF SUPPLY.)

5. THE DEPUTY SECRETARY MIGHT ALSO ASK ALFONZO ABOUT
PETROVEN'S FUTURE ROLE IN THE DEVELOPMENT OF THE PETROCHEMICAL
INDUSTRY. WE UNDERSTAND IT WILL BE AN IMPORTANT ONE AND THAT
THE OPPORTUNITIES FOR U.S. COMPANIES COULD BE CONSIDERABLE.
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